

Walsall Council
Internal Audit Service

Accounts Payable
Neighbourhood

Audit Report 2005 / 2006
July 2006

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Executive summary

A. Introduction

1. An audit review of accounts payable (creditors) within the neighbourhood directorate was undertaken as part of the 2005/2006 cyclical internal audit plan.
2. The objectives of the audit were to assess the procedures and controls in place with relation to the council's accounts payable system, to test the accuracy of the records maintained, and to assess the implementation of previously agreed audit recommendations.
3. The scope of the audit is as set out on the contents' page. Overall conclusions, points of good practice and an improvement action plan for each of the areas audited are attached. Audit recommendations, in general, are prioritised as high (***) , medium (**) or low (*).
4. Within a short period of issuing the final audit report, the head of service will be contacted to formally confirm that the action plan recommendations have been implemented as agreed.
5. Under the council's corporate governance arrangements, the outcomes of audits are reported routinely to the audit committee. This includes producing an overall report opinion and details of agreed recommendations successfully implemented.
6. The committee has expressed concern with a failure, in a number of instances, to implement agreed recommendations. The committee will seek explanation from managers failing to ensure that agreed recommendations are actioned.

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B. Overall Audit Opinion

1. The system operated for accounts payable (creditors) within the neighbourhood directorate was found to be of an adequate standard , as described below:

Overall Audit Opinion		
	Good	Controls are in place and operating satisfactorily. Reasonable assurance can be given that the system, process or activity should achieve its objectives safely and effectively.
➔	Adequate	There are some control weaknesses but most key controls are in place and operating effectively. Some assurance can be given that the system, process or activity should achieve its objectives safely and effectively.
	Poor	Controls are in place but operating poorly or controls are inadequate. Only limited assurance can be given that the system, process or activity will achieve its objectives safely and effectively.
	Unsatisfactory	Controls are failing or not present. No assurance can be given that the system, process or activity will achieve its objectives safely and effectively.

2. While a number of good practices were noted in particular; systems security, receipt of goods, allocation of financial codes, accountability for VAT and data protection, several areas for improvement were identified including; general procedures, segregation of duties, timeliness of payment, payment of invoices and authorisation processes. The prompt implementation of recommendations contained within this report will assist in enhancing the procedures undertaken.

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3. There are 11 high priority recommendations as follows;

Section	Action Plan Ref.	Recommendation
General Procedures	1.1	<p>Managers who are responsible for overseeing the day to day administration of accounts payable should ensure that internal procedures are comprehensively documented.</p> <p>Additionally, the review of internal procedures should be promptly completed. Revised procedures should then be issued to all staff who should sign to acknowledge receipt of and confirmation of their intention to comply fully with the procedure.</p> <p>All procedures should be signed and dated by the completing officer and reviewed on a regular basis with evidence of the review retained.*</p>
Quotation/ Tendering Procedures	5.1	<p>In accordance with contract procedure rule 4, where a situation of genuine urgency is perceived to exist and companies are appointed without the authority going to tender, the senior manager responsible for taking such actions should submit a written report to the executive management team at the earliest practical opportunity.</p> <p>Staff should be reminded in writing of the contents of contract and financial procedure rules and the need to adhere to them at all times.</p> <p>Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.</p>

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Section	Action Plan Ref.	Recommendation
	5.2	<p>In accordance with the authority's contract procedure rule 18, written quotations should be obtained from at least three different persons for all goods, materials, services or works to be purchased whose value is estimated to be £2,000 or greater but less than £25,000. Formal tenders should be obtained where expenditure exceeds £25,000.</p> <p>Staff should be reminded in writing of the contents of contract and financial procedure rules and the need to adhere to them at all times.</p> <p>Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.</p>
	5.3	<p>In accordance with the authority's contract procedure rule 19 sealed tenders should be sought where the estimated value of goods, materials, services or works is likely to exceed £25,000.</p> <p>Where a supply or services contract is likely to exceed £100,000 it should be embodied within a formal sealed contract as specified within contract procedure rule 29.</p> <p>Where a contract for supply or services is likely to exceed £144,000 an advertisement should be placed in the official journal of the European union (OJEU).</p>
	5.4	<p>In accordance with the authority's contract procedure rule 19, sealed tenders should be sought where the estimated value of goods, materials, services or works is likely to exceed £25,000.</p> <p>Tender documentation should be retained for future reference.</p>

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Section	Action Plan Ref.	Recommendation
Ordering Procedures	7.1	Official orders should be raised, appropriately authorised and issued to the supplier for all goods/works/services required. All orders should be raised prior to the receipt of the corresponding invoice.
	7.2	Internal requisitions should be raised on the IPROC system, which will then generate an official order and record the committed expenditure on the general ledger.
Authorisation Processes	11.1	Officers should be reminded in writing that all orders should be authorised by an appropriate officer. Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.
Payment of Invoices	12.1	Waste management and fleet services should obtain all proof lists produced since the implementation of Oracle and ensure they are checked, ideally by an officer independent of the payment of invoice process. Thereafter proof lists should be obtained and checked on a regular weekly basis. Evidence of this check should be retained. *
	12.2	All invoices should be clearly marked paid.
Segregation of Duties	18.1	All officers involved in the payment of accounts should be advised in writing to ensure the order and corresponding invoice are authorised by separate officers. * Officers should sign to acknowledge receipt of and confirmation of their intention to comply fully with this procedure.

4. In 2004/05 each of the 5 council directorates was issued with an accounts payable internal audit report detailing the recommendations applicable to their area. 107 agreed recommendations were made in total across the 5 directorate reports in 2004/05.

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5. A follow up review to the 2004/05 accounts payable audit was undertaken in June/July and a report issued to each directorate in July 2005. The reports concluded that positive progress was being made by directorates in implementing the agreed recommendations. During 2005/06, the council pursued its intention to engage with a strategic partner as part of the putting the citizen first (PTCF) initiative. The management and administration of accounts payable was due to transfer to the strategic partner as part of PTCF. Assurances were given by the strategic partner that outstanding audit recommendations would be addressed as part of the relevant transformational action plan. In January 2006 however, it was resolved that the PTCF contract would not go ahead and recommendations have therefore remained the responsibility of the council.
6. Due to the transferring staff having to spend time in preparing for the PTCF contract, it is acknowledged that this has impacted, to an extent, on the number of recommendations fully implemented.
7. Of the 107 agreed recommendations, the audit of accounts payable this year, 2005/06, has identified that 74 of the agreed recommendations have been successfully implemented with 33 remaining outstanding. This is due in part to restructuring within certain directorates and the impact of PTCF during 2005/6 as described above. The remaining 33 unimplemented recommendations have been re-iterated within the directorate report to which they now relate. 12 of the outstanding recommendations are applicable to the neighbourhood directorate and have been marked (*) in the action plan.

C. Summary of findings

	Good	Adequate	Poor	Unsatisfactory
General Procedures			✓	
System Users	✓			
Systems Security	✓			
Controlled Stationery		✓		
Quotation/Tendering Procedures				✓
Requisitioning Process		✓		
Ordering Procedures			✓	
Receipt of Goods	✓			
Inventories		✓		
Post Opening Procedures		✓		

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	Good	Adequate	Poor	Unsatisfactory
Authorisation Processes		✓		
Payment of Invoices			✓	
Timeliness of Payment		✓		
Allocation of Financial Codes	✓			
Budget Monitoring	✓			
Document Disposal	✓			
VAT	✓			
Segregation of Duties			✓	
Credit Notes		✓		
Data Protection	✓			

D. Acknowledgements

1. Thanks are extended to officers within the neighbourhood directorate who assisted during the course of this audit.

**Accounts Payable – Neighbourhood
Audit Opinion and Action Plan**

1. General Procedures

AUDIT OPINION

General procedures are of a poor standard.

Good practice includes:

- A users guide for the accounts payable system is available to all staff on the intranet.
- All staff have access, via public folders, to the authority's contract and financial procedure rules.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
1.1	***	<p>It was identified during the previous audit that there were no documented procedure notes for the day to day processes followed for the administrative and financial procedures relating to the procurement of goods, works, services and payment of corresponding invoices within grounds/street cleansing and fleet services. This remains unchanged.</p> <p>Additionally, it was previously identified that procedures within Information system services had not been updated to reflect changes to working practices and procedures within former regeneration, housing, built environment (finance) were being revised. During the current audit review it was identified that while procedures within these two areas are being reviewed/written they are not finalised.</p>	<p>Staff may not be aware of their duties and responsibilities.</p> <p>Incorrect/unapproved procedures may evolve for processing the council's payments.</p>	<p>Managers who are responsible for overseeing the day to day administration of accounts payable should ensure that internal procedures are comprehensively documented, or where procedures exist in other areas that may be appropriate that these are provided to officers.</p> <p>Additionally, the review of internal procedures should be promptly completed. Revised procedures should then be issued to all staff who should sign to acknowledge receipt of and confirmation of their intention to comply fully with the procedure.</p>	<p>Agreed. Procedure notes in progress will be reviewed and updated accordingly.</p> <p>ISS procedures will be finalised.</p>	<p>Financial Services support manager/ 31 August 2006</p> <p>Systems support supervisor (ISS)/ November 2006.</p>

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
1.1 cont		It was also identified that while procedures have been compiled within cleaning, caretaking/school crossing patrols they had not been signed or dated by the completing officer.		<p>All procedures should be signed and dated by the completing officer and reviewed on a regular basis with evidence of the review retained.*</p> <p>A review of procedures across the regeneration and neighbourhood directorates should be undertaken to ensure they are comparable with one another.</p>		

* Denotes previous audit report recommendation

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Audit Opinion and Action Plan**

2. Systems Users

AUDIT OPINION

Procedures were found to be of a good standard.

Good practice includes:

- A standard form exists for the creation/deletion of a users details.
- The oracle accounts payable system automatically prompts users to change their password every 60 days.
- Only officers within the central accounts payable team are able to create/amend/delete user details.
- Completed forms for the creation and deletion of user details are retained within the central accounts payable team.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				

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3. Systems Security

AUDIT OPINION

Processes were found to be of a good standard.

Good practice includes:

- Passwords are individual to members of staff.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				

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4. Controlled Stationery

AUDIT OPINION

Processes are of an adequate standard.

Good practice includes:

- Official orders are generated by the iprocurement (IPROC) system.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
4.1	**	It was previously identified that there was no evidence of a stock check of controlled stationery completed within lifelong learning and community (finance). At the time of the previous audit the administration and support manager (LLC) agreed that a stock check would be undertaken at the end of each financial year. The first stock check is therefore planned for March 2006.	Potential for the misappropriation of controlled stationery.	The administration and support manager (LLC) should ensure that a stock check of controlled stationery is undertaken on an annual basis and evidence of this check retained. *	Agreed. A reminder will be sent to staff.	Financial services support manager/ 31 July 2006.
4.2	**	It was identified during the previous audit review that stock records of controlled stationery were not maintained within building cleaning, caretaking, school crossing patrol wardens. However, it was previously agreed that consideration would be given to implementing this recommendation when current stocks have been used.	Potential for the misappropriation of controlled stationery.	Stock records should be maintained which detail both the issue and receipt of controlled stationery together with detail of the remaining stock. *	Agreed. A reminder will be sent to staff.	Financial services support manager/ 31 July 2006.

* Denotes previous audit recommendations.

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5. Quotation/Tendering Procedures

AUDIT OPINION

Procedures were found to be of an unsatisfactory standard.

Good practice includes:

- The authority's contract and financial procedure rules are available to all officers on public folders.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
5.1	***	From a sample of 12 payments in excess of £2,000, one occasion was noted where officers had acted in urgency and had therefore appointed a company without going to tender. However, in accordance with contract procedure rule 4, evidence of a written report being presented to the executive management team could not be located (invoice number B5120).	Non compliance with contract procedure rule 4	<p>In accordance with contract procedure rule 4, where a situation of genuine urgency is perceived to exist and companies are appointed without the authority going to tender, the senior manager responsible for taking such actions should submit a written report to the executive management team at the earliest practical opportunity.</p> <p>Staff should be reminded in writing of the contents of contract and financial procedure rules and the need to adhere to them at all times.</p> <p>Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.</p>	Agreed. A reminder will be sent to all staff, which will include a request that a response is provided. Evidence of information issued and responses received will be retained.	Financial services support manager/ 31 July 2006.

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
5.2	***	From a sample of 12 payments in excess of £2,000 one occasion was noted where 3 written quotations had not been obtained (invoice number 0122758).	Non compliance with contract procedure rule 18.	<p>In accordance with the authority's contract procedure rule 18, written quotations should be obtained from at least three different persons for all goods, materials, services or works to be purchased whose value is estimated to be £2,000 or greater but less than £25,000. Formal tenders should be obtained where expenditure exceeds £25,000.</p> <p>Staff should be reminded in writing of the contents of contract and financial procedure rules and the need to adhere to them at all times.</p> <p>Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.</p>	Agreed. A reminder will be sent to staff and procedures re-issued. The reminder memo will include a request that staff provide a response and evidence of information issued and responses received will be retained.	Financial services support manager/ 31 July 2006.

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ACTION PLAN						
Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
5.3	***	From a sample of 12 payments in excess of £2,000, one occasion was noted where tendering procedures had not been followed, despite the anticipated value of the contract being in excess of £150,000 (invoice number 00146712).	<p>Non compliance with contract procedure rules 10, 19 and 29.</p> <p>Potential breach of European Union regulations, leaving the council open to criticism for contravention of these rules.</p>	<p>In accordance with the authority's contract procedure rule 19 sealed tenders should be sought where the estimated value of goods, materials, services or works is likely to exceed £25,000.</p> <p>Where a contract is likely to exceed £100,000 it should be embodied within a formal sealed contract as specified within contract procedure rule 29.</p> <p>Where a supply or services contract is likely to exceed £144,000 an advertisement should be placed in the official journal of the European union (OJEU).</p>	Agreed. Process for tendering arrangement is being finalised in line with a review of the programme and recommended action.	Head of organisational development (human resources)/ Tender to go in August 2006.
5.4	***	From a sample of 12 payments in excess of £2,000 one occasion was noted where evidence to support the tender process was not available for inspection (invoice number WA533837). It is acknowledged, however, that the tender exercise in this instance was undertaken by the former fleet manager and is currently under review.	Potential non compliance with contract procedure rule 19.	<p>In accordance with the authority's contract procedure rule 19 sealed tenders should be sought where the estimated value of goods, materials, services or works is likely to exceed £25,000.</p> <p>Tender documentation should be retained for future reference.</p>	Agreed. A reminder will be sent to staff. The reminder memo will include a request that staff provide a response and evidence of information issued and responses received will be retained.	Financial services support manager/ 31 July 2006.

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6. Requisitioning Process

AUDIT OPINION

Procedures are of an adequate standard.

Good practice includes:

- The IPROC system generates a sequentially numbered internal requisition.
- The IPROC system provides an audit trail of officers who have raised and approved requisitions.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
6.1	**	It was previously identified that internal requisition forms used within building cleaning, caretaking and school crossing patrol wardens were not sequentially numbered. The finance and business manager (bcc & scp) did confirm during the last audit that this would be considered when current stocks run out.	A completeness check to ensure an order is raised for every internal request for goods cannot be undertaken.	All internal requisitions should be sequentially numbered.*	Agreed. A reminder will be sent to staff.	Financial services support manager/ 31 July 2006
6.2	**	It was previously identified that various formats of internal requisition forms were used within the former regeneration, housing, built environment directorate, some of which are not sequentially numbered. While a new requisition form has been developed for use within the neighbourhood finance team it is currently in draft format.	Without a standard approach differing requisition practices may evolve. This increases the risk of unauthorised orders being placed. A completeness check to ensure an order is raised for every internal request for goods cannot be undertaken.	The requisition form, currently in draft format should be sequentially numbered.*	Agreed. This is currently under review.	Financial service support manager/ Ongoing

* Denotes previous audit recommendation

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7. Ordering Procedures

AUDIT OPINION

Ordering procedures are of a poor standard.

Good practice includes:

- The IPROC system generates a sequentially numbered official order.
- The IPROC system provides an audit trail of the officer responsible for authorising an order.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
7.1	***	From a sample of 15 invoices, 1 occasion was noted where an order had been raised following receipt of the invoice (invoice number 832522548).	<p>Potential for unauthorised orders to be made/insufficient audit trail.</p> <p>Failure to comply with financial procedure rule 8.2.</p> <p>Risk of budget overspends.</p>	<p>Official orders should be raised, appropriately authorised and issued to the supplier for all goods/works/services required. All orders should be raised prior to the receipt of the corresponding invoice.</p>	<p>Agreed. A reminder will be sent to staff. The reminder memo will include a request that staff provide a response and evidence of information issued and responses received will be retained.</p>	<p>Financial services support manager/ 31 July 2006.</p>

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
7.2	***	Highways and fleet services raise official orders on the impact and save stock control systems. Neither impact or save interface with IPROC.	Commitments are not recorded within the ledger via IPROC. Where orders are not raised through IPROC committed expenditure is not promptly recorded within the ledger.	Internal requisitions should be raised on the IPROC system, which will then generate an official order and record the committed expenditure on the general ledger.	Agreed. A memorandum will be issued to both the highways and fleet service managers with a request that they liaise with the procurement team to determine if it is viable to interface both the SAVE and IMPACT systems with iProcurement.	Financial services support manager/ 31 July 2006.

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8. Receipt of Goods

AUDIT OPINION

Procedure are of a good standard.

Good practice includes:

- All invoices had been stamped with a certification box upon which officers sign to acknowledge the receipt of goods.
- The receipt of goods has to be acknowledged on the IPROC system.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				

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Audit Opinion and Action Plan**

9. Inventories

AUDIT OPINION

Procedures are of an adequate standard

Good practice includes:

- Serial numbers had been included within the inventory selected for testing.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
9.1	**	<p>It was identified during the previous audit that serial numbers had not been incorporated within the inventory maintained by the lifelong learning and community finance team. An officer has now been identified to undertake this task which is scheduled to be completed by March 2006.</p> <p>Additionally, it was previously identified that serial numbers had not been included within the inventory maintained within information system services. During the current audit review it was identified that this inventory is still in the process of being updated.</p>	In the event of a theft, items may not be easily identifiable.	<p>Appropriate officers should be reminded in writing that serial/model numbers should be included in the inventory wherever possible. *</p> <p>Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.</p>	<p>Agreed. A reminder will be sent to staff, which will include a request that staff provide a response. Evidence of information issued and responses received will be retained.</p> <p>Agreed.</p>	<p>Financial services support manager/ 31 July 2006.</p> <p>Systems support supervisor (ISS)/ 30 November 2006.</p>

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ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
9.2	**	It was identified during the previous audit that an annual stock check of inventory items had not been undertaken by the lifelong learning and community finance team. An officer has now been identified to undertake this task which is scheduled to be completed by March 2006.	Potential non compliance with financial procedure rule 6.2.	Appropriate officers should be reminded in writing that an annual stock check of inventory items should be undertaken. Evidence of this check should be appropriately recorded within the inventory. * Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.	Agreed. A reminder will be sent to staff, which will include a request that a response is provided. Evidence of information issued and responses received will be retained.	Financial services support manager/ 31 July 2006.
9.3	*	The inventory maintained by fleet services detailed silver label numbers rather than serial numbers.	Potential weakness in the management of authority assets. Authority assets may not be promptly recovered in the event of a theft.	Serial numbers should be detailed within the inventory for all appropriate items of equipment.	Agreed. A reminder will be sent to staff.	Financial services support manager/ 31 July 2006.

* Denotes previous audit recommendations.

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10. Post Opening Procedures/Receipt of Invoices

AUDIT OPINION

Procedures are of an adequate standard.

Good practice includes:

- Post is opened by two members of staff.
- Post is delivered to a secure area.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
10.1	**	It was identified during the previous audit that 2 invoices had not been stamped with the date of receipt. From a sample of 15 invoices selected for testing during the current audit review, 2 occasions were noted where invoices had not been stamped with the date of receipt (invoice numbers B5120, 0122758). This is despite a reminder being issued by the financial services support manager (RHBE) to officers on 15 July 2005.	Timeliness of payment cannot be verified. Potential that creditor payment targets may not be met.	Officers should be advised in writing that all invoices, without exception, should be date stamped on receipt. (*) Officers should sign to acknowledge receipt of and confirmation of their intention to comply fully with this procedure.	Agreed. A reminder will be sent to staff, which will include a request that officers provide a response. Evidence of information issued and responses received will be retained.	Financial services support manager/ 31 July 2006.

* Denotes previous audit recommendation.

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11. Authorisation Processes

AUDIT OPINION

The authorisation of orders and invoices is of a adequate standard.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
11.1	***	From a sample of 15 invoices, 1 occasion was noted where the corresponding order totalling £6,232.19 had been authorised by an officer who is only authorised to approve orders to the value of £5,000 (invoice number B5120).	Orders have not been authorised by appropriate officers.	Officers should be reminded in writing that all orders should be authorised by an appropriate officer. Officers should sign to acknowledge receipt of and their intention to comply fully with this procedure.	Agreed. A reminder will be sent to staff, which will include a request that officers provide a response. Evidence of information issued and responses received will be retained.	Financial services support manager/ 31 July 2006.
11.2	**	From a sample of 15 invoices, 2 had been authorised by an officer within fleet services, however, a copy of the authorised signature for this officer could not be located within central finance.	Potential that orders/invoices may have been approved by an unauthorised officer.	Each service area should ensure that authorised signatory forms are forwarded to central finance.	Agreed. A reminder will be sent to staff. Currently staff are requested to forward the authorised signatory form to regeneration and neighbourhood services (RNS) finance so that records can be updated. RNS then forward to central finance.	Financial services support manager/ 31 July 2006.

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12. Payment of Invoices

AUDIT OPINION

Procedures are of a poor standard.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
12.1	***	During the previous accounts payable audit it was found that 5 service areas within the former regeneration, housing and built environment directorate were not checking listings of paid invoices supplied by the central accounts payable team. During the current accounts payable audit it was found that waste management/grounds & street cleansing only began receiving and checking listings of paid invoices during November 2005. This is despite a reminder being issued to appropriate managers on 15 July 2005.	Increased potential for fraudulent activity.	Waste management and grounds & street cleansing should obtain all proof lists produced since the implementation of Oracle and ensure they are checked, ideally by an officer independent of the payment of invoice process. Thereafter proof lists should be obtained and checked on a regular weekly basis. Evidence of this check should be retained. *	Agreed. A reminder to be sent to staff.	Financial services support manager/ 31 July 2006.

* Denotes previous audit recommendation.

**Accounts Payable – Neighbourhood
Audit Opinion and Action Plan**

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
12.2	***	From a sample of 15 invoices, 3 occasions were noted where invoices had not been marked as paid (invoice numbers TE16698, 34330, B5120).	Potential for a duplicate payment to be made.	All invoices should be clearly marked paid.	Agreed. A reminder will be sent to staff.	Financial services support manager/ 31 July 2006.
12.3	**	Within a sample of 4 service areas responsible for the payment of invoices within the neighbourhood directorate it was found that proof lists of paid invoices are not checked by officers who are independent of the payment of invoice process.	Increased potential for fraudulent activity.	Proof listings of paid invoices should be checked by an officer who is independent of the authorisation/payment process. Evidence of the check should be retained.	Agreed. This can be achieved within regeneration and neighbourhood services finance as this task is rotated amongst staff on a weekly basis. Evidence of the check is signed, dated and retained. A reminder will, however, be sent to staff across the directorate.	Financial services support manager/ 31 July 2006.

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13. Timeliness of Payment

AUDIT OPINION

Procedures are of an adequate standard.

Good practice includes:

- Procedures for the prompt payment of invoices are detailed within the authority's financial procedure rules which are available to all employees via public folders.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
13.1	**	During the previous accounts payable audit, 1 occasion was noted where an invoice had not been marked as paid. During the current accounts payable audit, from a sample of 15 invoices 1 occasion was noted where the invoice had not been paid within 30 days of receipt (invoice number 884059). This is despite a reminder being issued to relevant managers on 15 July 2005.	Non-compliance with financial procedure rule	All invoices should be paid within 30 days of the date of receipt.*	This is normal practice as every effort is made to ensure the invoices are paid within 30 days, although a reminder will be sent to staff, which will include a request that officers provide a response. Evidence of information issued and responses received will be retained.	Financial services manager, 31 July 2006.

* Denotes previous audit recommendation

**Accounts Payable – Neighbourhood
Audit Opinion and Action Plan**

14. Allocation of Financial Codes

AUDIT OPINION

Procedures are of a good standard.

Good practice includes:

- Appropriate financial codes had been allocated against all payments sampled.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				

**Accounts Payable – Neighbourhood
Audit Opinion and Action Plan**

15. Budget Monitoring (i.e authorisation processes)

AUDIT OPINION

Budget monitoring is of a good standard

Good practice includes:

- The budget management and control manual is available to all officers via public folders.
- The IPROC system will warn the officer approving an order if there is insufficient budgetary resources.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				

**Accounts Payable – Neighbourhood
Audit Opinion and Action Plan**

16. Document Disposal

AUDIT OPINION

Procedures were of a good standard.

Good practice includes:

- Documentation retention guidelines are available to all staff via the intranet (freedom of information).

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				

**Accounts Payable – Neighbourhood
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17. VAT

AUDIT OPINION

Accountability for VAT is of a good standard.

Good practice includes:

- VAT had been correctly accounted for on all invoices examined.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				

**Accounts Payable – Neighbourhood
Audit Opinion and Action Plan**

18. Segregation of Duties

AUDIT OPINION

Segregation of duties is of a poor standard.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
18.1	***	During the previous accounts payable audit, 2 occasions were noted where the order and corresponding invoice had been approved by the same officer. From a sample of 15 invoices selected for testing during the current audit review, 2 occasions were noted where the same officer had authorised the order and corresponding invoice (invoice numbers 884059, 3WA0177/483926). This is despite a reminder being issued to relevant officers on 15 July 2005.	Non compliance with financial procedure rule 8.2.2.	All officers involved in the payment of accounts should be advised in writing to ensure the order and corresponding invoice are authorised by separate officers. * Officers should sign to acknowledge receipt of and confirmation of their intention to comply fully with this procedure.	Agreed. A reminder to be sent to staff, which will include a request that a response is provided. Evidence of information issued and responses received will be retained.	Financial services support manager/ 31 July 2006.
18.2	**	It was identified during the previous audit as a weakness that officers may have access to both accounts payable and IPROC. From a sample of 5 officers selected for testing during the current audit review 4 had access to both accounts payable and IPROC.	Possible inadequate segregation of duties. Increased potential for fraudulent activity.	Officers should not have access to both the IPROC system and accounts payable.	Not agreed. This is not currently possible given current work practices and current staff job descriptions as staff are expected to be able to process invoices and raise orders.	n/a

* Denotes previously agreed audit recommendation.

**Accounts Payable – Neighbourhood
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19. Credit Notes

AUDIT OPINION

Procedures are of an adequate standard.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
19.1	**	During the previous audit, 3 occasions were noted where credit notes had not been processed within 30 days from the date of receipt. From a sample of 5 credit notes selected for testing during the current audit review, 1 occasion was noted where the credit note had not been paid within 30 days from the date of receipt (credit note number OP/CO69651).	Credits may not be promptly taken.	Officers should be reminded in writing to ensure that all credit notes should be promptly offset against a corresponding invoice, without exception.* Officers should sign to acknowledge receipt of and confirmation of their intention to comply fully with this procedure.	This is normal procedure, however, delays may occur where queries are raised with suppliers prior to the take up of credit notes. A reminder will however be sent to staff which will include a request that they provide a response. Evidence of information issued and responses received will be retained.	Systems support supervisor (ISS)/ Implemented.
19.2	*	From a sample of 5 credit notes, 1 occasion was noted where a credit note had been marked as processed on 15 August 2005 but had not been processed until 1 September 2005 (credit note number LGS45122).	Performance statistics may be inaccurate.	Care should be taken to ensure credit notes are marked with the correct processing date.	Agreed. A reminder will be sent to the relevant service area (highways)	Financial services support manager/ 31 July 2006.

* Denotes previous audit recommendation.

**Accounts Payable – Neighbourhood
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20. Data Protection

AUDIT OPINION

Procedures are of a good standard.

Good practice includes:

- The data protection registration (purpose 3) covering accounts and records is up to date.

ACTION PLAN

Ref	Priority	Finding	Risk Exposure	Recommended Action	Response	Responsibility & Timescale
		None.				